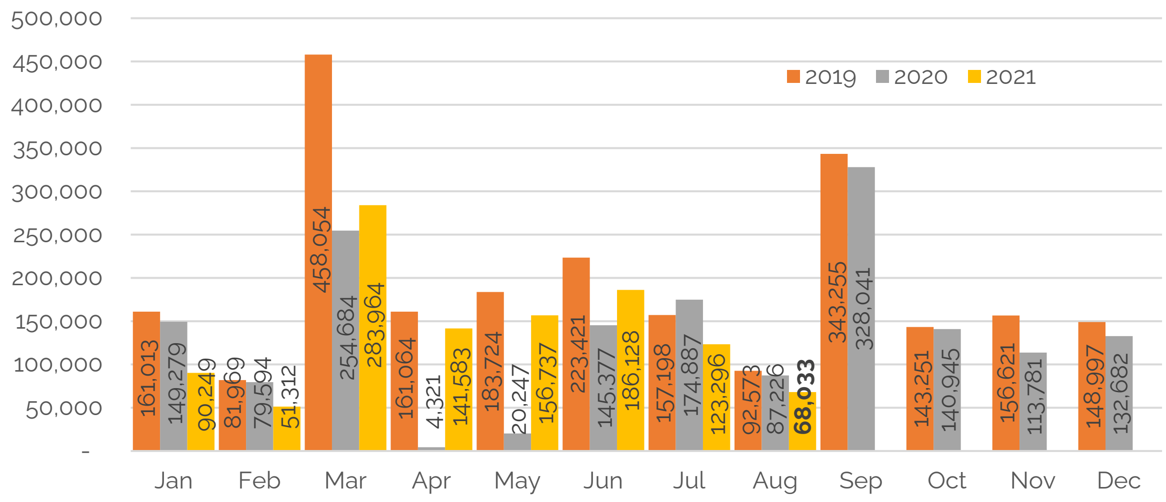
October 2021

Car Market Overview

This monthly overview provides an update on the current extraordinary times in both the new and used car markets in the UK, with supply issues still dramatically affecting both. We will report on new car registrations to the end of August and used car activity at the time of writing. All information is correct as of 27th September 2021.

New Car Sales

According to the latest figures produced by the Society of Motor Manufacturers and Traders (SMMT), 68,033 cars were registered in August 2021, 22% lower than last year's 87,226 and the weakest August since 2013. Year-to-date, 1,101,302 cars have been registered, a 20.3% increase on the COVID-19 affected same period in 2020. Total registrations are some 25% lower than the 10-year average for the period January to August, however, due to the various effects of the pandemic, including the now widely publicised semi-conductor shortage that is increasingly affecting new car supply.



Source: SMMT

Petrol registrations made up 57.6% of registrations in August (59.9% year-to-date), diesel 12.4% (16.4% YTD) and alternatively-fuelled vehicles at 30.1% share (23.7% YTD). The latter continue to increase their market share, with Battery Electric Vehicles at 8.4% YTD, Plug-in Hybrid Electric Vehicles at 6.6% and pure Hybrid Electric Vehicles at 8.7%.

Daily Rental registrations continue to be subdued, down 46% on the same month last year. Rental registrations are traditionally low in August anyway, the month before a plate change, but new vehicle supply is largely being directed to retail sales rather than fleet and particularly rental channels. Year-to-date, rental registrations are some 57% down on 2019, which equates to a reduction of around 90,000 units.

Used Car Retail Activity

Consumers thirst for used cars has continued in September. If anything, the problems with new car supply, which have led to many long, and therefore unpalatable, lead times, has switched consumers' attentions to used cars that are more readily available, although also not in plentiful numbers.

With the retail market already buoyant from consumers that have held back from buying over the worst of the pandemic, accidental savers and buyers that just need or want a change, this has led to healthy online activity and forecourts being busy.

Buoyant retail demand has led to an increase in retail advertised prices, arguably higher than anyone imagined they could go, even above what the cars originally cost when new. There have even been reports of retailers contacting customers and offering to buy their cars from them for more than they originally paid – even for new cars that are now used with thousands of miles on the clock.

Used cars being worth more than new ones is a rare phenomenon, usually reserved for a handful of ultra-desirable premium cars that are produced in low volumes and have long lead times. That is not the case currently.

Some examples of mainstream models that have retail values of certain engines and trims over the original cost new at 1-year old with 10,000 miles are the Dacia Duster and Sandero, Suzuki Jimny and Toyota GT86, as well as some of the more usual suspects such as the Porsche Macan and Cayman GT.

Initially, as trade prices started to increase when car showrooms reopened in April, retail advertised prices were not doing the same, certainly for some retailers that were slow to push their prices up. This made it difficult for buyers to work back from retail prices to decide what they should pay in the trade.

Whilst retail prices have, on the whole, increased, evidenced within the cap hpi retail advertised data contracted from online retail portals, they have continued to do so at a slower rate than wholesale prices. As a result, some dealers continue to be concerned at paying high prices in the trade, that they feel they will be unable to make a reasonable margin on. Many have been brave, however, and continue to buy at high prices and push retail advertised prices up – with exceptional results. There have also continued to be examples of switched-on dealers buying from those others that have not pushed their prices up as much – buying at advertised prices, adding a margin and putting them straight on their own forecourt. Unusual times indeed.

Cap hpi valuations have recently been reported in a number of national newspapers – the Daily Telegraph, The Times, Daily Mail and Mail on Sunday. Consumers are now more and more aware that used car prices have increased astronomically, and this may well allow retailers to continue to increase prices, particularly whilst there are those new car supply problems.

In general, the majority of dealers are reporting strong enquiry levels, sales rates and margins. Their biggest issue, without a doubt, is sourcing fresh stock for their forecourts, particularly at palatable prices.

Used Car Remarketing Activity

Unsurprisingly, given the situation in the retail market, there has been considerable activity in the wholesale arena.

As reported last month, trade values have increased by 20% in the last 5-months, putting thousands of pounds on many used car prices. For buyers, this is a concern and has slowed down some of their purchasing, walking away from virtual or physical sales, shaking their heads at what some cars have sold for and wondering how they can make a margin. It has been noticeable in September, however, that businesses who had been reluctant to buy stock previously at high prices now had no option following strong retail sales and their stock levels becoming worryingly low.

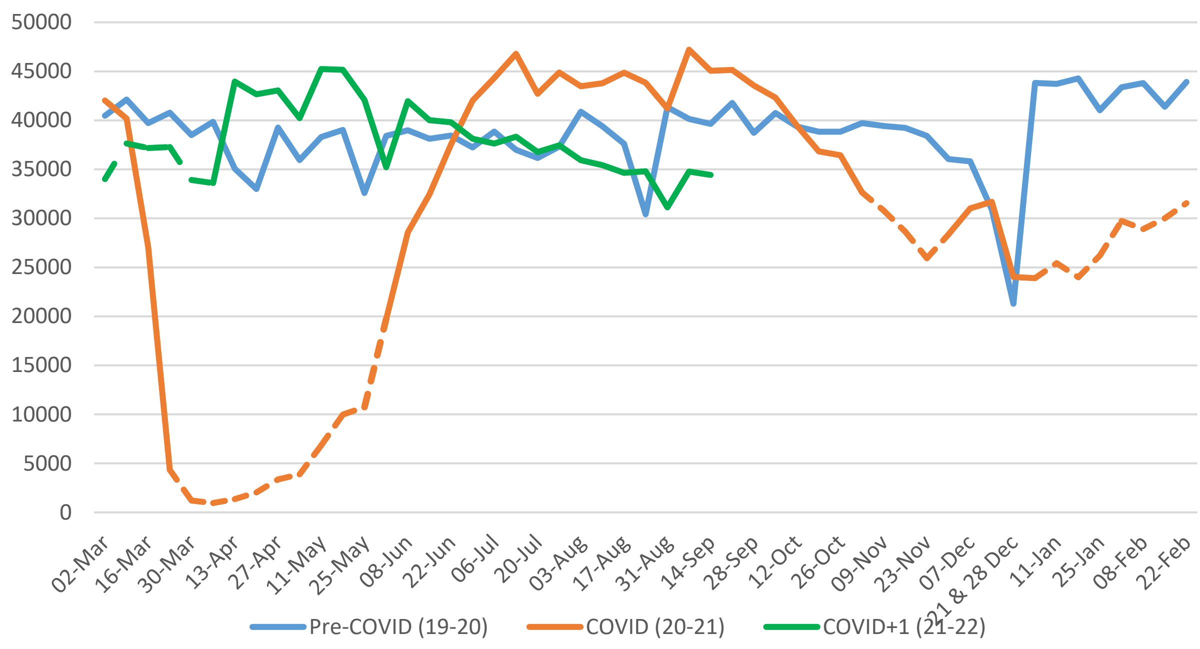
As a result, there have been reports from large auction companies of a record number of buyers joining sales. On occasion, there have been double the number of buyers compared to the number of cars actually on sale. This has obviously led to high conversion rates at auctions, sometimes well above 90%, with only the really undesirable cars not finding a home.

Those dealers that have used cap Live values as opposed to monthly have had an advantage and the faith that prices they are paying are in-line with what is happening in the current, highly unusual market. Working back from retail or using monthly values has been problematic and like doing so with one hand tied behind your back.

It has been notable from reviewing the sold wholesale data that volumes of cars being sold through auction routes have remained at a similar level during August and September, and even increased slightly from the middle of the month. This is not due to increased supply, however, but is due to the buying frenzy creating high conversion rates. Volumes of sold data from fleet and leasing, daily rental and manufacturer sources has continued to decline and is at dramatically low levels compared to normal – these companies simply do not have the new cars to replace their current ones, as much as they would like to take advantage of the strong used car prices currently.

As the chart below shows, volumes are some way shy of the same point in the last 2-years, 24% lower than in 2020 and 13% lower than in 2019. The dip on the green line in August represents the week including the Bank Holiday – if you ignore that you can see that volumes have stabilised to a degree, whilst being far lower than the peak in May. It will be interesting to see how this progresses, with part-exchanges and fleet returns from the new "71" plate being higher than most other months, but lower than in a normal September.

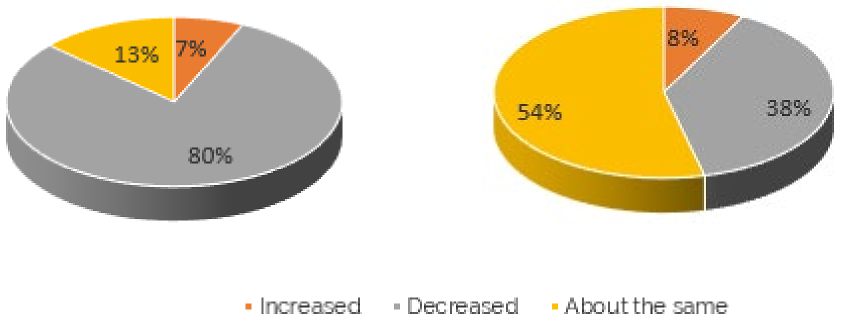
Wholesale Volumes since initial lockdown, comparison to previous years



The positivity in the remarketing area is borne out by the results of this month's cap hpi auction survey.

How do your current stock levels compare to last month?

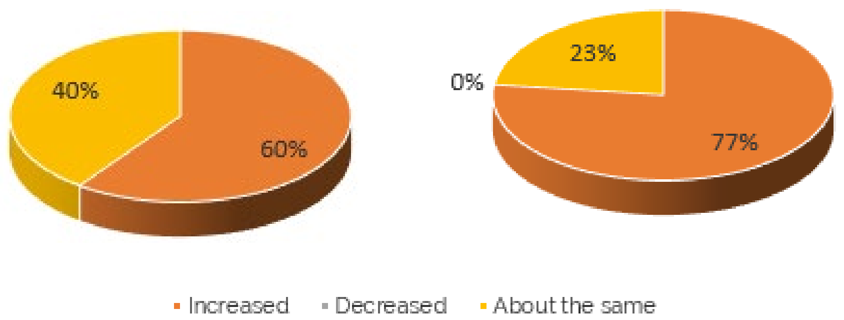
August | September



Stock levels have seen a more mixed picture than usual. Whilst over half of respondents have seen similar stock levels to those in August, almost as many reported reductions, with a minority actually seeing increases. These different results for different businesses are likely to be due to contracts that they have and how their customers have been affected by recent shortages. Also, whether many retailer customers are keeping hold of and retailing their part-exchanges, even older cars. Many retail outlets have widened the age of and even condition of cars that they traditionally retail due to difficulty getting prime stock.

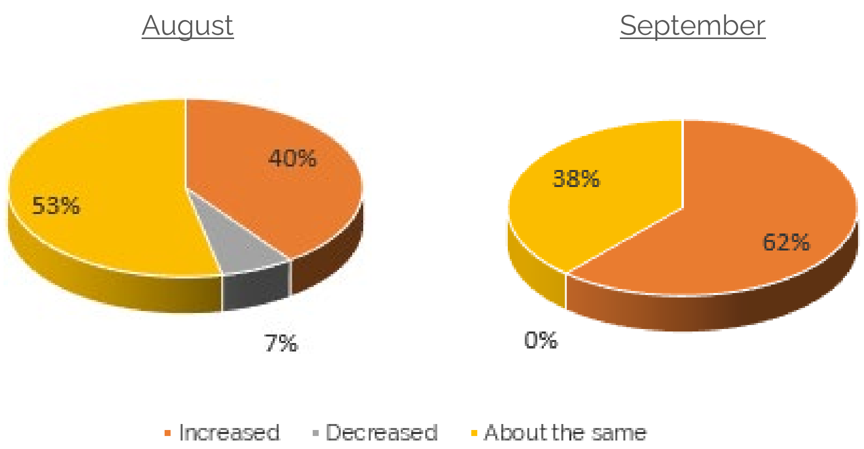
How does your current overall demand compare to last month?

August | September



As expected, following analysis of data and anecdotal feedback, the majority of auction companies have seen demand increase during September, with the remainder seeing a similar situation to August, when the used market was already particularly buoyant.

How do your conversion rates compare to last month?



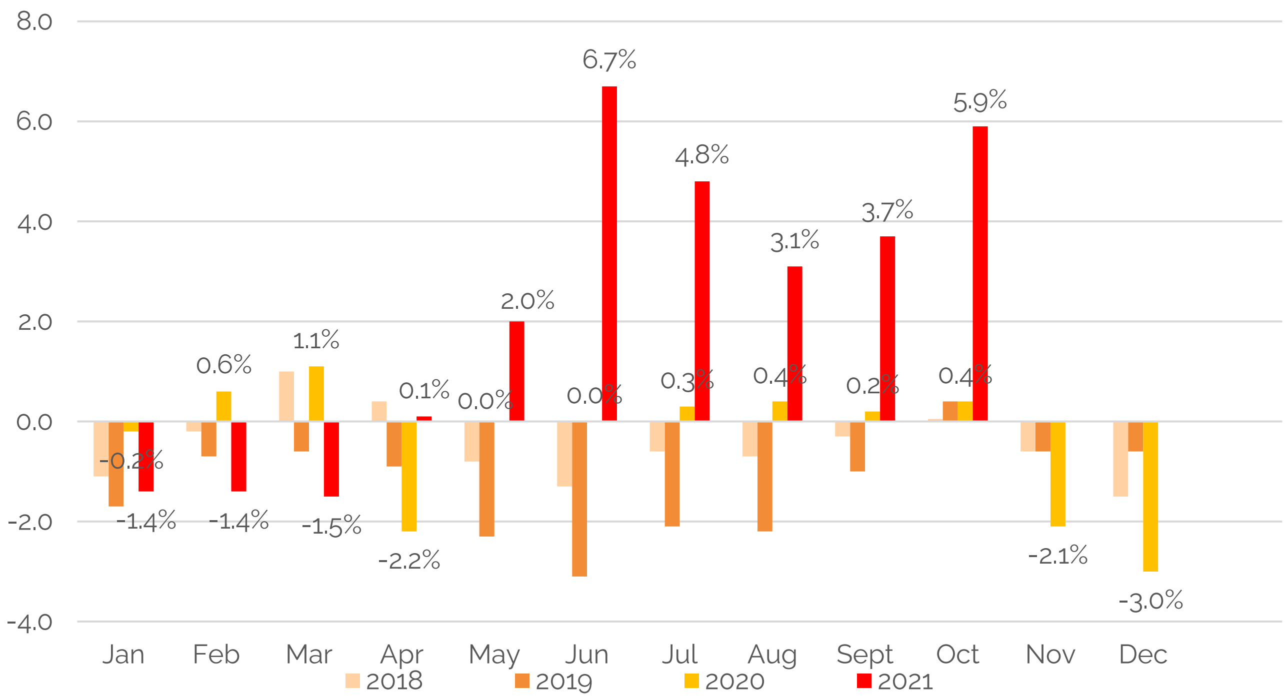
Conversion rates have also increased for the majority – unsurprising given the levels of demand when compared to supply. If anything, the surprising thing is that almost 40% have not seen conversion rates increase – maybe because they were already high.

Used Cars – Trade Values

What. A. Month. Simply put, the level of value increases during September have taken us all by surprise from the position we were predicting at the start of the month. We forecast values to increase, but not to this degree. Although as the month progressed with our Live values, it quickly became evident that something extraordinary was happening to values. They ramped up in particular from around the 9th of the month.

At the 3-year, 60,000 mile point, Live values have increased by an average of 5.9% during September, equivalent to £860. This is the second largest percentage increase we have ever recorded in a month, the highest being Live values in May, shown by the June monthly column on the chart below. Due to the increases over the last few months, however, the monetary increase in values portrayed by the 5.9%, is actually the highest ever recorded. The 6.7% in June's monthly figures was equivalent to £825.

Monthly Percentage Movements in Live Valuations (3-years, 60k miles)



Values have increased across all ages, 1-year old, 10,000 mile cars up 4.5%, or an eye-watering £1,250 in just a few weeks.

This is the 7th month in a row that used car values have increased – a real black swan event occurring since car showrooms reopened in April. Values have now increased by an average of 26.3%, or c.£3,500 for 3-year old cars. Individual's cars have gone up by more than a quarter of their value – a great time to sell if you do not need as many cars in your household now.

Even older cars that have been relatively stable over the last few months have increased, going up by 7.3% or £235 on average at the 10-year, 100,000 mile point, highlighting that used car dealers are buying almost whatever they can to fill spaces on their forecourts, in these times of shorter supply and strong demand. City cars and superminis at this age and mileage have increased by 10.1% and 12.0% respectively in the month.

All mainstream sectors have experienced increases in values during September, an acceleration of the theme in August where commodity cars with lower values have now become scarcer and more sought after.

MPVs have increased by the most in percentage terms – up by 7.2% (c.£950) at 3-years old, the biggest increase those vehicles have ever undergone in such a short space of time. As we reported last month, many of these cars, along with vehicles in the lower and upper medium (C-Sector and D-Sector), up 6.0% (£750) and 6.8% (£1,000) respectively, simply look reasonable value for money compared to the more popular SUVs. Having said that, SUVs have also increased in value, by 6.1% or c.£1,100, so maybe it is just that anything, literally, goes, in the current used car arena.

This extends to fuel-type, with all types seeing values go up throughout the month, although electric vehicles have not increased by as much as their petrol, diesel and hybrid counterparts, but still an increase of 3.7% or c.£700 at 3-years old. Interestingly, at younger ages the increases are less in percentage terms – up 1.5% or just under £600 at the 1-year point. These cars are relatively expensive and have less room to move up, it seems.

Some of the notable increases at 3-years old over the course of September are the BMW 2-Series Active Tourer up over £1,000, Hyundai i800 up almost £2,000, Mercedes-Benz A-Class Hybrid up £1,400 and Ford Ecosport up over £900. It is easy to pick examples because values have increased pretty much across the board.

Over the course of the last 7-months, some of the largest movers in percentage terms at the 3-year point have been the Toyota Auris Hybrid, up 60% or £5,800, Vauxhall Zafira up 58% or £5,000, Mercedes-Benz V-Class Diesel up 57% or £14,000 and the Ford Galaxy Diesel up 54% or £7,500. It is difficult to put into words how extraordinary and unprecedented this is.

What Next?

This is undoubtedly the most difficult section of this editorial overview to write now. How long will cars continue to increase in value for? Will the old adage "what goes up, must come down" become reality?

Last month, we predicted values to continue to increase, but not to the degree that they have done. With a number of cars now above new car list prices, as already highlighted, the current situation would not normally seem sustainable. But, we are not in normal times.

New car supply constraints, if anything, appear to be getting worse, with some lead times stretching into the second half of next year. Many popular models are simply not going to be available for the majority of buyers until well into 2022.

As a result, it is difficult to see where large used stock levels are going to come from. Over 1.2-million registrations less than would have been expected prior to the pandemic have actually occurred – those cars are lost to the future used car market too. Even if demand drops, which it will likely do as we head towards Christmas, supply is not going to be plentiful enough to cause a seismic realignment of prices down.

Once again, we are predicting values to keep increasing, but not to the same degree as the last 2-months. At some point, values will have to level off, but as things stand that may not be quite yet.

As has become more and more obvious, both from the value increases through the month (and months) and the number of requests for real-time updates based off the trade and retail markets, cap Live values have never been more important. It is vital to keep a close eye, to buy and sell at optimal prices.

Our next industry webinar will be held on 5th October at 2pm. Please join us for updates on the current used car and LCV markets and a forecast for the future. Copy and paste this address into your browser to register bit.ly/2YuxJJN

Current Used Valuations October 2021 - Average Value Movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	4.3%	6.6%	7.0%	10.1%
Supermini	5.6%	6.6%	7.1%	12.0%
Lower Medium	5.3%	6.0%	6.3%	9.6%
Upper Medium	4.3%	6.8%	7.2%	8.3%
Executive	4.5%	4.8%	4.5%	4.7%
Large Executive	4.1%	4.2%	3.7%	1.7%
MPV	5.3%	7.2%	7.5%	6.7%
SUV	4.5%	6.1%	6.5%	5.7%
Convertible	1.7%	1.7%	1.3%	(0.5%)
Coupe Cabriolet	0.0%	(0.6%)	(0.2%)	0.2%
Sports	2.0%	1.6%	1.7%	2.6%
Luxury Executive	1.5%	0.7%	0.4%	0.4%
Supercar	1.6%	0.8%	(0.1%)	(0.5%)
Overall Avg Book Movement	4.5%	5.9%	6.2%	7.3%

( ) Denotes negative percentages

Used Car Values October 2021 - Average Value Movements by Size

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	6.2%	6.3%	6.6%	5.9%
MPV Medium	5.3%	7.4%	7.6%	7.5%
MPV Large	5.2%	7.0%	7.8%	5.0%
SUV Small	5.7%	6.5%	6.1%	7.8%
SUV Medium	4.3%	6.4%	7.2%	6.0%
SUV Large	4.1%	4.0%	3.5%	4.2%

Notable Movers 1-yr 20k

GENERATION NAME	MIN £	MAX £	AVG £
BMW 4 SERIES COUPE (13-20) DIESEL	1,200	1,900	1,504
FIAT 500 (15-)	300	1,000	692
HONDA JAZZ (15-20)	750	1,300	1,055
JAGUAR F-PACE (15-21) DIESEL	1,000	2,600	1,623
KIA SPORTAGE (15-) DIESEL	600	1,300	1,043
NISSAN JUKE (10-20) DIESEL	800	900	850
PEUGEOT 2008 (13-20)	750	1,650	1,128
RENAULT CAPTUR (13-20) DIESEL	950	1,050	1,014
SEAT ALHAMBRA (10-20) DIESEL	1,300	1,650	1,492
VOLKSWAGEN GOLF (13-21) DIESEL	1,350	1,850	1,651

Notable Movers 3-yr 60k

GENERATION NAME	MIN £	MAX £	AVG £
AUDI A1 (10-19)	725	1200	940
FORD FOCUS (11-18)	575	1,150	750
FORD KUGA (12-20) DIESEL	1,150	1,800	1,467
NISSAN QASHQAI (13-18) DIESEL	1,050	1,600	1,347
SEAT LEON (13-20) DIESEL	650	1,050	843
SKODA OCTAVIA (13-20) DIESEL	600	1,350	936
TOYOTA AURIS (12-19) HYBRID	900	1,400	1,038
VAUXHALL MOKKA (12-20)	725	1,000	850
VOLKSWAGEN PASSAT (14-19) DIESEL	600	1,400	990
VOLKSWAGEN UP (12-)	350	650	462